

# Corporate Governance

## Basic Policy concerning Corporate Governance

In line with the social trend that mandates effective corporate governance, ROHM acknowledges that it is an entity supported by all its stakeholders including customers, business partners, shareholders, local communities and employees. Based on this acknowledgment, ROHM believes that its business operations and activities must be founded on corporate fairness, soundness and transparency and positions establishment of the corporate governance as an extremely important issue. Under this acknowledgment, ROHM has been carrying out various activities to prioritize the enhancement of corporate values in consideration of its stakeholders.

## Structure of Management Organization for Executive Decision-making, Implementation, Supervision and Other Corporate Governance System

### (1) Organizational structure and operation

ROHM believes that an agile and effective management system with emphasis on competitive enhancements in the semiconductor industry, where the business environment is undergoing accelerated change, can be established so Directors familiar with ROHM's businesses and technologies have executive power and supervise each other. As part of the executive supervision, ROHM maintains the existing auditing system, which is implemented only by outside Corporate Auditors, based on the idea that internal supervision over the executive branch will function sufficiently by improving and enhancing the system.

ROHM's Corporate Auditors and Accounting Auditors work in coordination with one another. They hold meetings over 10 times a year, in which they make reports on audit programs, audit status and results and other related topics and exchange their opinions. The Corporate Auditors also work in cooperation with ROHM's Internal Auditing Department. The activities of the Internal Auditing Department are communicated to the Corporate Auditors by means of a monthly report.

Other functions of ROHM's outside Corporate Auditors include: auditing ROHM's divisions and affiliates in Japan and Overseas by dividing the audit tasks among the Corporate Auditors according to their experience and expertise and attending the Board of Directors and the Board of Corporate Auditors to make necessary comments to the management from the viewpoints of respective areas of expertise. To support the outside Corporate Auditors, ROHM has a system in which the materials related to the Directors' decision-making (minutes of the Board of Directors, circulars sent around for managerial decisions, etc.) are reviewed on a regular basis, and that major divisions of ROHM make reports of their operations and other information via the monthly report. Additionally, the Internal Audit Department, consisting of eight staff members including the Department Chief, audits individual divisions and affiliates of ROHM by interviewing executives and employees, inspecting documents and sets of accounts and regularly communicates the audit results to the Corporate Auditors. Various findings from day-to-day audit activities are also communicated from full-time Corporate Auditors to part-time Corporate Auditors at the Board of Corporate Auditors and on other occasions as required.

To determine remuneration and bonuses for the Directors, ROHM has adopted a performance pay system, in which remuneration and bonuses for the Directors are decided using the consolidated profit of the relevant fiscal year as the performance indicator, to clarify the management responsibilities of the Directors. The total amount of remuneration paid to all Directors is disclosed in the annual securities reports and other relevant announcements.

Amount of remuneration paid to Directors in the fiscal year ended in March 2009: ¥245 million

(Notes)

1. The amount of remuneration paid to Directors does not include the amount of employee salaries paid to employee Directors.
2. The 48th general shareholders' meeting on June 29, 2006 resolved that the maximum amount of annual remuneration for Directors should be

¥600 million.

3. The amount of remuneration paid to Directors includes bonuses for Directors for this fiscal year (¥32 million).

### (2) Matters related to functions such as performance of business operation, audits, supervision, designation of certified public accountants and decision on remuneration

The Articles of Incorporation limit the number of directors on the Board of Directors to ten in order to encourage sufficient discussion whilst allowing adequate and swift decision making. Additionally, one outside Director was designated to enhance mutual supervision among the Directors. With five Corporate Auditors, ROHM reinforces auditing functions by overseeing all implementations. The Auditors are committed to building a fair management supervision system through legally stipulated audits.

The Corporate Auditors attend important meetings such as the Board of Directors' meetings, and audit the individual divisions of ROHM and its affiliates at home and abroad along with the Internal Audit Department by holding meetings with those in managerial positions, inspecting documents and reports, and others. Through these audits, ROHM checks whether or not the Directors are performing their duties in compliance with existing laws, whether or not ROHM's internal control is well maintained and operated, whether or not in-house rules are well observed, and whether or not ROHM's assets are secured.

Corporate Auditors, the Internal Audit Department, and Accounting Auditors regularly hold report meetings, consistently maintain close cooperation and coordination, and proactively exchange information and opinions. Sharing information obtained through individual audits enhances the accuracy of the audits and allows for constant improvement of the operation process.

ROHM is under contract with Deloitte Touche Tohmatsu for its accounting audits and internal control audits related to financial reporting and abides by both the Japanese Corporation Law and the Financial Instruments and Exchange Law. ROHM has an established environment where the auditing organization can perform audits from a fair, unbiased position as an independent third party. The following are the names of certified public accountants (CPAs) who audited ROHM's accounts for the fiscal year ended March 31, 2009, the number of consecutive years they have been engaged in auditing ROHM and information on the assistants involved in the audits.

CPAs who audited ROHM (Number of consecutive years they have been engaged in auditing ROHM)

Designated CPAs (employees in charge of performing the audits) of Deloitte Touche Tohmatsu:

Yoshifumi Tsutsumi (6 years), Yasuhiro Onishi (3 years), Tomoyuki Suzuki (1 year)

Major assistants in the audits

8 CPAs, 15 assistant CPAs and clerical officers, and 4 assistants

## Updates on the Implementation of Actions Intended for Shareholders and Other Stakeholders

### (1) Efforts to energize general shareholders' meetings and facilitate the process of exercising voting rights

ROHM sends out notices of general shareholders' meetings three weeks prior to each meeting and has enabled its shareholders to exercise their voting rights via the Internet connection from PCs and mobile phones. In addition, based on the findings of surveys on shareholders, ROHM takes various actions including the promotion of investor relations activities, facilitation of the process to exercise voting rights and preparing an English version of notices of general shareholders' meetings.

### (2) Investor relations activities

ROHM strives to positively disclose information in order to enhance fairness and transparency of our business operations, and holds briefings for research analysts, fund managers, and other institutional investors.

For overseas investors, ROHM people visit the US and European regions as well as other parts of the world about twice a year and explain our business performance and activities to them.

Furthermore, ROHM has an investor relations section on its website and strives to provide a wide range of information resources including legally stipulated disclosure documents such as financial reports, voluntary information including annual reports, materials for financial results briefings, performance trend charts and long-term financial data, an IR calendar and information on paperwork for shareholders.

### **(3) Efforts to ensure respect for stakeholders**

ROHM is aware that it is unable to conduct its business activities without the reliance and cooperation of all stakeholders including customers, suppliers, shareholders, investors, members of society and local communities, employees and others. ROHM respects its valued stakeholders by recognizing them through the publication of its annual CSR (Corporate Social Responsibility) report. ROHM also enlightens and educates its employees by distributing the ‘Guidelines for Ethics in the Business of the ROHM Group’.

ROHM has also introduced an environmental management system applicable to all ROHM Group companies based on ISO 14001 to continuously contribute to environmental conservation. As for CSR activities, ROHM also promotes business operations based on the idea that sustainable development as a corporate citizen fulfills its social corporate responsibility. Specifically, ROHM makes constant efforts to build up and maintain favorable relations with stakeholders through various activities from a global viewpoint including compliance, promotion of risk management, involvement in activities for supporting local communities, and realization of ideal working workshops.

Regarding the provision of information to stakeholders, ROHM’s policies on information disclosure to stakeholders are outlined in in-house rules on information disclosure including the requirements for fairness and legal compliance.

### **Basic Policy on and Current Status of Internal Control System**

Enhancement of the internal control system is one of the most important management issues, and the ROHM Group is not only committed to maintaining proper business processes across the whole Group, but also to ensuring reliable financial reporting, thereby fulfilling corporate social responsibility. ROHM is advancing the establishment and enhancement of its internal control system based on the following specific policies.

#### **(1) System for ensuring that the Directors perform their duties in compliance with established laws, regulations, and Articles of Incorporation**

- 1) Directors’ noncompliance with the laws, regulations or Articles of Incorporation in performing their duties is deterred, based on the Guidelines for Ethics in the Business of the ROHM Group, Board of Directors Regulations, and other relevant rules.
- 2) Directors with a thorough knowledge of their own areas of expertise have responsibility and authority for business operations of their respective areas, hold discussions regularly, and supervise each other.
- 3) Every Director/Corporate Auditor promptly notifies the Board of Directors and the Board of Corporate Auditors of any violation of laws, regulations or in-house rules by any Director when the violation comes to be known by the Director/Corporate Auditor.
- 4) An internal “Compliance Hotline” system for reporting compliance concerns and issues has been established and is used to find any violation by Director of the laws, regulations or in-house rules and to take preventive measures against any recurrence.
- 5) In addition to one external board member, five auditors— who are all appointed outside of ROHM— constantly monitor how the Directors are performing their duties in compliance with established laws, regula-

tions, and Articles of Incorporation.

#### **(2) System regarding storage and management of information on the execution of Directors’ duties**

- 1) All materials related to the Directors’ decision-making process as well as information regarding the execution of their duties are maintained in written form. This may include minutes and other materials pertaining to general shareholders’ meetings, materials pertaining to the Board of Directors, circulars sent around for managerial decisions, and materials pertaining to annual business planning. Retention periods and other instructions for management of such documents comply with established laws, regulations and in-house rules.
- 2) All instructions to different units of ROHM, Group companies or other relevant sectors are issued in written form in principle, and are maintained in a manner that is accessible by Directors, Corporate Auditors and other relevant parties upon request.
- 3) Information pertaining to the execution of duties of Directors is properly retained and controlled by related units, etc., and insider information is disclosed on a timely basis and properly through the Corporate public relations units under the control of the Information Disclosure Committee.

#### **(3) Rules and system regarding the management of risk of loss**

- 1) ROHM has organized an in-house Risk Control Committee as an overall risk management function. The committee sets out risk management policies on the basis of the risk management regulations formulated by the committee. The committee extracts and analyzes all the potential risks that may occur in performing tasks, and decides countermeasures against them, and at the same time, reviews and controls the activities of various divisions in management regarding potential risks.
- 2) ROHM has established different in-house committees including the Central Health and Safety Committee, Fire Prevention Committee, and the Environmental Conservation Committee as well as subcommittees, and through daily activities of those committees, prevents risks and addresses unavoidable risks in a proper and ethical manner.
- 3) The in-house Crisis Management Section of the General Administration Division cooperates and exchanges information with police departments and other external specialized institutions, and deploys and implements specific activities for eliminating antisocial forces. In-house rules are established for eliminating antisocial forces and employees are requested to strictly abide by the rules. In the ‘Guidelines for Ethics in the Business of the ROHM Group’ distributed to all employees, it is stipulated that employees must deal with any antisocial forces with a resolute attitude. Further efforts are made to enlighten employees through various types of in-house training.

#### **(4) System to ensure efficient execution of Directors’ duties**

- 1) The number of members of the Board of Directors with executive authority has been reduced to ensure swift and proper executive decision-making.
- 2) The Board of Directors consists of Directors with a thorough knowledge of their respective areas of responsibility and each Director, based on the segregation of duties, executes his/her own specific duties.
- 3) Regarding matters that may have a significant impact on business management, an in-house project team is installed individually to handle problems, and at the same time, swift decision-making is performed, as appropriate, at the Board of Directors meeting or by consultation via circular (documents sent around for managerial decision) according to the Articles of Incorporation and in-house rules.
- 4) Documented company standards of risk management, information management and other in-house management procedures are strictly observed.

# Corporate Governance

- To strengthen the competitiveness of the ROHM Group and to secure appropriate profits, a profit plan is prepared annually for each Group company and operating division specifying the target profit for use in performance management.

## (5) System to ensure that employees perform their duties in compliance with established laws, regulations, and Articles of Incorporation

- A Compliance Committee has been organized to formulate and disseminate the “Guidelines for Ethics in the Business of the ROHM Group” throughout the Group, thereby promoting the compliance activities of the Group as a whole. The responsible persons of the functions of each Group company are appointed as compliance leaders in order to make sure that everyone in the function is thoroughly conversant with awareness of compliance and legal compliance.
- In an effort to ensure that efficient actions are taken regarding compliance matters inherent in different areas of management, various committees have been established, including the Compliance Committee, the Information Disclosure Committee, the Central Health and Safety Committee and the Environmental Conservation Committee, to check the status of compliance and conduct enlightenment activities across the Group.
- Under the control of the Information Disclosure Committee, each unit makes efforts to properly manage insider information, provide education and enlightenment to employees, and prevent insider trading.
- Through addressing the system for evaluating and auditing internal control concerning financial reporting, the internal control system is being enhanced and the reliability of financial reporting is secured.
- An internal “Compliance Hotline” system for reporting compliance concerns and issues has been established and is used to determine any violation by any employee of laws, regulations or in-house rules in the course of performing his/her duties and to take preventative measures against recurrence.
- Internal audits are conducted to check employees’ execution of duties, ensuring compliance with the established laws, regulations, Articles of Incorporation, and making necessary improvements for the streamlining of work processes.

## (6) System to ensure sound and appropriate business operations within the corporate group

- Documented standards applicable across the ROHM Group are prepared and implemented.
- Some directors/auditors of the ROHM Group companies are appointed from the staff members of ROHM Co., Ltd. or its subsidiaries to supervise and ensure sound and appropriate business operations.

- A compliance system similar to that of ROHM is organized in subsidiaries for enhancing deployment and cooperation of compliance activities.
- The operating system requires board approvals or consultation with ROHM Co., Ltd. via a circular sent around for managerial decisions so that each sector of ROHM exercises control across all the Group companies in the case of important matters or issues at the different subsidiary levels.
- The internal control system is being improved and enhanced in order to cover not only ROHM, but also its major subsidiaries through addressing a system for ensuring sound and appropriate financial reporting, which includes procedures for auditing financial reporting.
- ROHM’s auditing department conducts internal audits of the Group companies.

## (7) In the case where Corporate Auditors request employees to serve as assistants in performing their duties

When requested by a Corporate Auditor, support staff with necessary practical skills is provided.

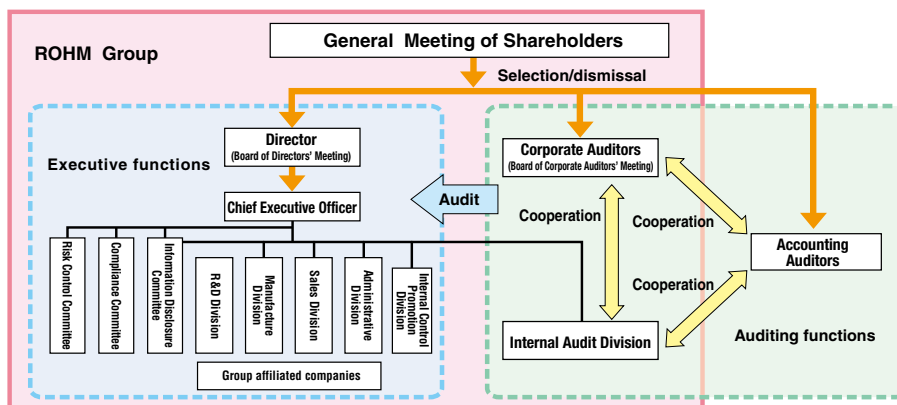
## (8) Independence of the employees indicated in (7) above from Directors

Corporate Auditors’ support staff members shall not hold a post or engage in any activity related to the implementation of ROHM’s business operations. Any personnel changes involving them shall require the prior approval of the Board of Corporate Auditors. In the personnel performance evaluation process, the views and opinions of the members of the Board of Corporate Auditors shall be taken into account.

## (9) System for Directors and employees to make reports to Corporate Auditors and other system reports to Corporate Auditors

- Every Director submits reports to Corporate Auditors, as required, regarding the violation of laws, regulations or in-house rules by Directors in the performance of his/her duties, breaches of duty by Directors, or any action that may cause material damage to ROHM.
- The Compliance Committee, Risk Control Committee, Information Disclosure Committee, and other committees have full-time auditors who attend each meeting as observers and at the same time, submit a report regularly to the Corporate Auditors by means of the minutes.
- ROHM maintains a system in which the processes and results of execution of business operations are communicated to Corporate Auditors as deemed appropriate by presenting reports and circulars sent around for managerial decisions as well as by other means.

## <ROHM Group Corporate Governance System>



#### **(10) Other systems to ensure effective audits by Corporate Auditors**

- 1) Directors submit reports on the current status of the internal control system at the request of the Board of Corporate Auditors.
- 2) The Internal Audit Department is expanded, and its cooperation with Corporate Auditors is enhanced.
- 3) All Corporate Auditors are appointed from facilities other than ROHM and include legal experts, accounting experts, and those from financial circles to establish a sophisticated audit system with a high degree of independence.

#### **Risk Management**

The following risks may have great impacts on the ROHM Group's financial status and operating results.

##### **(1) Risks associated with market changes**

The semiconductor industry and electronics component industry are subject to abrupt changes in market conditions, due to the tendency of end set manufacturers to adjust production according to the sales status of electronic products as well as competition in price and technology development with rival companies. Prices are especially susceptible to a sudden drop according to supply/demand and the pricing strategies of Southeast Asian companies, which are growing rapidly. Such price changes are an uncertainty factor in maintaining or increasing sales as well as ensuring profits.

##### **(2) Exchange risks**

The ROHM Group has development bases, manufacturing bases and sales bases around the world. The financial statements prepared in local currencies are translated into Japanese yen to prepare the consolidated financial statement. Therefore, the gains and losses on the consolidated financial statement may change because of the exchange rates at the time of translation, even if values remain unchanged in local currencies.

The ROHM Group produces products in Japan and other Asian countries and sells them in Japan, other Asian countries, the Americas and Europe. Because different currencies are used between production bases and sales bases, business performance is constantly influenced by exchange rate fluctuations.

Generally, a strong Japanese yen adversely affects its business performance, while a weak yen has a favorable influence.

##### **(3) Risks of product defects**

As stated in the Company Mission, the ROHM Group regards "quality" as top priority. ROHM products are produced under severe quality control measures. However, this does not guarantee that it never produces defective products or that it will never be liable to compensate buyers for product losses. If a buyer makes a claim for losses with regard to ROHM products, its business performance may be adversely influenced.

##### **(4) Legal risks**

To manufacture products distinguishable from the products of other companies, ROHM develops various new technologies and know-how, and produces and sell products worldwide based on such original technologies. The ROHM Group has a specialized division that strictly supervises in-house activities to ensure that the technologies and know-how the Group uses do not infringe the intellectual property rights of other companies, such as patent rights. In addition, to conserve the environment, protect health and ensure safety, the ROHM Group complies with all the relevant laws and regulations in all the fields the ROHM Group conducts business in: monitoring gas emissions, drainage, harmful-material utilization and handling, waste treatment, and soil/underground water pollution. However, the ROHM Group may shoulder legal responsibilities in this respect, because of unexpected events. Such cases might have an adverse influence on its business performance.

##### **(5) Natural disasters and geopolitical risks**

The ROHM Group performs development and manufacturing activities in Japan and in other countries. As a measure against natural disasters and geopolitical risks, the ROHM Group locates production lines at different bases. However, its business bases may suffer damage due to earthquakes, typhoons, flooding and other natural disasters, or political uncertainty or international conflicts. The business performance of the ROHM Group may be affected in cases where these events prevent us from supplying products to customers.

##### **(6) Other risks and corporate risk management system**

In addition to the above-mentioned risks, there are various risks that may influence its financial conditions and administrative performance during the course of business activities, such as logistics risks, material procurement risks, and information system risks.

The ROHM Group has an in-house Risk Control Committee to preclude these risks or minimize their influence, reinforcing the in-house risk management system.

#### **Other Information**

##### **Defense against takeover**

ROHM believes that in the event of a takeover bid, the final decision on whether to accept it should be made by ROHM's existing shareholders at the time of the bid, and in order to ensure that the shareholders make an informed judgment—based on sufficient information within a reasonable time period—it should go through a fair and transparent procedure to confirm its intentions. The Board of Directors of ROHM decided to adopt 'Fair Rules for the Substantial Acquisition of Shares (Takeover Defense Measures)' (hereinafter referred to as the Rules) on May 11, 2006 for this purpose.

After introducing the Rules, the Financial Instruments and Exchange Law was amended to improve the law and establish a system to secure the information and time necessary for shareholders to make an informed judgment. A threat of abusive buyout that may ruin the corporate value of ROHM and the common interests of shareholders has been relatively lowered as a result of the global financial crisis and its adverse effect on the economy, originating from the U.S. subprime loan issue. The management environment surrounding ROHM has changed greatly since the time the Rules were adopted. The Board of Directors went through careful consultation as to how the Rules should be handled 3 years after the date of enforcement and, as a result, on May 11, 2009, the Board of Directors decided to abolish the Rules.

Incidentally, any rules similar to the Rules (also called Takeover Defense Measures) that are to be re-introduced shall be, in principle, submitted to the ROHM general shareholders' meeting in advance and will be subject to approval. However, the Board of Directors shall continuously monitor the transactions and transfer conditions of ROHM's shares, and if anyone wishes to acquire a large quantity of ROHM's shares (takeover bidder), the Board of Directors will assess the proposal of the bidder and negotiate as required with careful consideration given to ROHM's external board member, outside corporate auditors, independent outside specialists, and others. If there is a fear that ROHM's corporate value and the common interests of its shareholders will be negatively influenced unless immediate action is taken, the Board of Directors will decide the most appropriate countermeasures to take—within the boundaries permitted by the Japanese Corporation Law and other related laws and regulations—and it is the legitimate responsibility of the persons management has delegated to implement these countermeasures.